



STATE OF NEW JERSEY

Postemployment Benefits Other Than Pension Actuarial Valuation August 9, 2011

*Submitted by:
Aon Hewitt
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August 9, 2011

Ms. Florence Sheppard
Acting Director
State of New Jersey
Department of the Treasury
Division of Pensions and Benefits
50 West State Street
Trenton, New Jersey 08625-0299

Dear Florence:

This report presents the July 1, 2010 Actuarial Valuation results for the retiree health benefits provided through the *New Jersey State Health Benefits Program (“the SHBP”) and the School Employees’ Health Benefits Program (“the SEHBP”)*. Collectively, these are referred to as “the Program.” The purposes of this report are to:

- (1) Determine the Program’s July 1, 2010 obligations;
- (2) Determine the Program’s Fiscal Year Ending June 30, 2011 accrual as the standard is adopted for this Fiscal Year based on Governmental Accounting Standards Board Statement 43 (GASB 43); and
- (3) Provide information that may be helpful in future planning for the State of New Jersey.

The Program consists of the Health Benefits Program Fund, the Dental Benefits Program Fund, and the Prescription Drug Program Fund. The financial statements of the Funds are included in the financial statements of the State of New Jersey. This inclusion will satisfy the requirements of GASB 45 for the State of New Jersey as there are no postemployment benefits provided outside the SHBP.

This report contains both Governmental Activities and Business-Type Activities. For GASB 43 purposes, the Business-Type Activities are generated by the participation in the Program by Local Governmental employers.

A summary of the major results is shown in the Executive Summary, while the Principal Valuation Results Section provides more detail.

The Accounting Information Section summarizes GASB Other Postemployment Benefit (OPEB) accounting treatment including the Fiscal Year Ending June 30, 2011 Annual Required Contribution (ARC) and Annual OPEB Cost (AOC).

This report's costs and liabilities are based upon the data and plan provisions provided by the State of New Jersey Division of Pensions and Benefits, as summarized in the Demographic Information and Summary of Principal Plan Provisions Sections, respectively, and the funding method and actuarial assumptions outlined in the Methods and Assumptions Section of this report. This report presents our best estimate of the costs of the Plan in accordance with accepted actuarial principles and our understanding of GASB Statement 43.

Respectfully,

Aon Hewitt



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Executive Summary

The Program provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents. The State of New Jersey pays a portion of the cost for retirees, spouses and dependents. All active employees who retire from the State of New Jersey and meet the eligibility criteria will receive these benefits.

The State of New Jersey also offers dental care to retirees. Since these benefits are completely paid for by the retirees, there is no GASB 43 liability for these benefits.

Results are shown for both Governmental Activities and Business-Type Activities. For GASB 43 purposes, the Business-Type Activities are generated by the participation in the SHBP by Local Governmental employers. The Division of Pensions and Benefits, in consultation with Aon Hewitt, has determined that the Program is a Cost-Sharing plan for its Business-Type Activities participants. Governmental Activities are detailed by State and Local Educational (which is a State responsibility) components. Pursuant to various Public Law enactments over the years, primarily Chapter 126 PL 1992, PERS, ABP and TPAF members who retire from educational enterprises with 25 or more years of service or a disability retirement will have state-paid coverage. These individuals are not required to participate in the SHBP while active to receive retiree benefits. This summary identifies the value of benefits at July 1, 2010 and costs for the Fiscal Year Ending June 30, 2011 ("FYE2011"):

Healthcare Reform

Certain provisions of healthcare legislation that are effective in future years have the potential to impact the GASB 43 liabilities. As a result of the recent healthcare legislation, beginning in 2018 there will be a 40% excise tax on per capita medical benefit costs that exceed certain thresholds. We estimate that the excise tax would result in approximately a 2% increase to the Program's Actuarial Accrued Liability as of July 1, 2010.



Executive Summary (continued)

	GASB 43 results (\$ millions) 07/01/2010				
	State	Educational- State	Subtotal	Local	Total
Actuarial Accrued Liability					
Active	\$12,983.2	\$24,010.4	\$36,993.6	\$7,618.1	\$44,611.7
Retired	\$8,107.3	\$14,181.1	\$22,288.4	\$4,471.8	\$26,760.2
Total	\$21,090.4	\$38,191.5	\$59,282.0	\$12,089.8	\$71,371.8
7/1/10 - 6/30/11 FY Annual Required Contribution (ARC)*	\$1,714.5	\$3,125.4	\$4,839.9	\$976.9	\$5,816.8
7/1/10 - 6/30/11 FY Annual OPEB Cost	\$1,755.8	\$3,191.9	\$4,947.6	\$995.6	\$5,943.2
7/1/10 - 6/30/11 Expected Benefit Premiums	\$448.4	\$922.2	\$1,370.6	\$241.1	\$1,611.7
* The Annual Required Contribution reflects a 30-year, 4.0% annual increasing amortization of the Unfunded Actuarial Accrued Liability.					



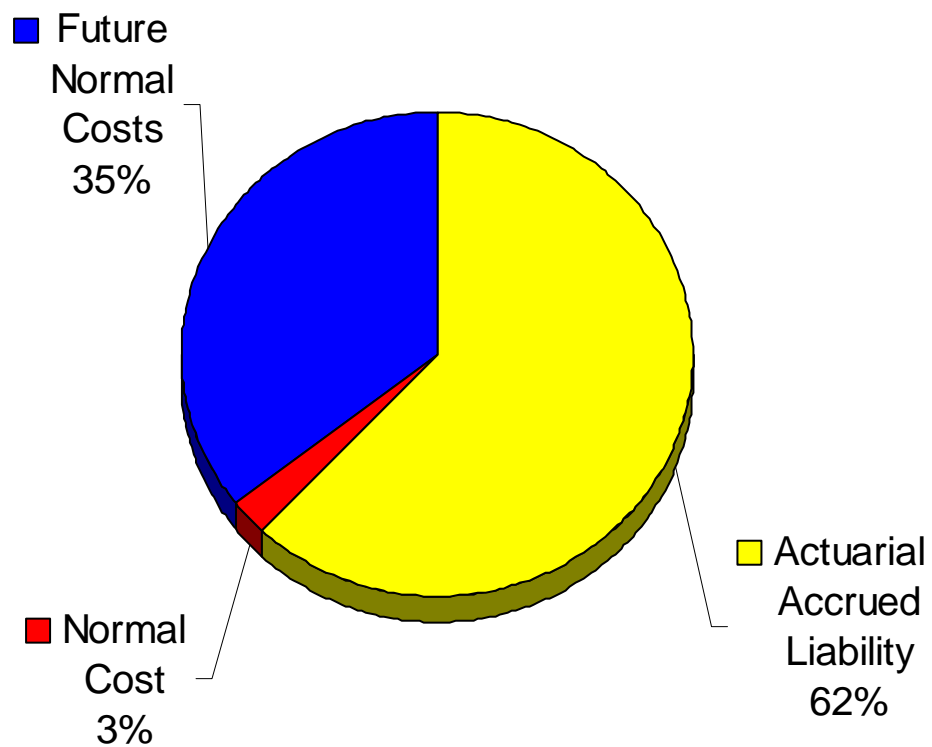
Executive Summary (continued)

- The ***Present Value of all Projected Benefits*** is the total present value of all expected future benefits, based on certain actuarial assumptions. The Present Value of all projected benefits is a measure of total liability or obligation. Essentially, the Present Value of all projected benefits is the value (on the valuation date) of the benefits promised to current and future retirees.
- The ***Actuarial Accrued Liability*** is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions. The Program's Actuarial Accrued Liability (at July 1, 2010) is \$71,371.8 million assuming no prefunding of obligations. The majority of this obligation is for active employees.
- ***Normal Cost*** is the value of benefits expected to be earned during the current year, again based on certain actuarial methods and assumptions. The 2010 Fiscal Year Normal Cost is \$3,153.9 million assuming no prefunding of obligations. In pension accounting, this is also known as "**service cost.**"
- ***Future Normal Costs*** represent the present value of the remaining balance of all projected benefits to be earned in future years.



Executive Summary (continued)

The following graph illustrates (for the scenario assuming no prefunding) the Present Value of all Projected Benefits, the yellow area representing the Actuarial Accrued Liability in total:





Executive Summary (continued)

The results were calculated based upon plan provisions, as provided by the State of New Jersey, along with certain demographic and economic assumptions as recommended by Aon Hewitt, in conjunction with the State of New Jersey with guidance from the GASB statement.

Demographic Assumptions

Data was provided by the State of New Jersey as of July 1, 2010. Demographic assumptions used to project the data are the same as those used to value the State of New Jersey's pension liabilities under GASB 25. There is no assumption for future new hires.

Economic Assumptions

The GASB statement requires that the discount rate used to determine the retiree healthcare liabilities be the estimated long-term yield on the "investments that are expected to be used to finance the payments of benefits". Since the State of New Jersey does not currently pre-fund the retiree healthcare liabilities, the discount rate should be based on the portfolio of the State of New Jersey's "general assets" used to pay these benefits.

Historical monthly yields for this portfolio, as provided by the State of New Jersey, could suggest a 4.0% to 5.0% discount rate. Aon Hewitt recommends the mid-point of the range suggested by the portfolio, 4.5%.

The trend assumption is used to project the growth of the expected claims over the lifetime of the healthcare recipients. The GASB statement does not require a particular source for information to determine healthcare trends, but it does recommend selecting a source that is "publicly available, objective and unbiased".

Aon Hewitt developed the trend assumption utilizing the short term rates expected on the State of New Jersey plan along with information in published papers from other industry experts (actuaries, health economists, etc.). For medical benefits, this amount initially is at 9.0% or 8.0% (depending on the medical plan) and decreases to a 5.0% long-term trend rate for all medical benefits after eight or six years (depending on the medical plan). For prescription drug benefits, the initial trend rate is 10.0%, decreasing to a 5.0% long-term trend rate after ten years. For the Medicare Part B reimbursement, the trend rate is 5.0%. This reflects the known underlying cost of the Part B premium.

The balance of this report provides greater detail for the above results.



Actuarial Certification

This report presents the results of the Actuarial Valuation for the State of New Jersey Postemployment Benefits Other Than Pensions (the Plan) as of July 1, 2010 for development of accounting and financial reporting information under Statement No. 43 of the Governmental Accounting Standards Board.

This report has been prepared using generally accepted actuarial practices and methods. The actuarial assumptions (other than those strictly applicable to valuing the Plan, or as otherwise explicitly specified) used in the calculations are consistent with those used by the State of New Jersey's Actuary for the pension valuation for the state retirement systems. We have discussed Plan-specific assumptions with the State of New Jersey and believe them to be reasonable.

Aon Hewitt did not audit employee data and did not validate the number of population changes due to retirements, terminations, new entrants, etc. from the prior year. Based on our review of the July 1, 2010 data, it is consistent with the July 1, 2009 employee data and appropriate for the purposes intended.

Actuarial computations under GASB 43 are for purposes of fulfilling governmental accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of the accounting standard. Determinations for purposes other than meeting governmental financial accounting requirements may be different from these results. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination.

This report is intended for the sole use of the State of New Jersey. It is intended only to supply information for the State of New Jersey to comply with the stated purposes of the report and may not be appropriate for other purposes. Reliance on information contained in this report by anyone for other than the intended purposes, puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions. Accordingly, no person or entity, including the State of New Jersey should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Aon Hewitt.

The actuaries whose signatures appear below are Members of the American Academy of Actuaries and together meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. They are available to answer any questions with regard to the matters enumerated in this report.

We further certify that this report is in compliance with Actuarial Standard of Practice No. 41, "Actuarial Communications".

Aon Hewitt's relationship with the Plan and the State of New Jersey is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.

Thomas Vicente, FSA, EA, MAAA

Michael Morfe, ASA, MAAA



Principal Valuation Results

The following highlights the State of New Jersey's valuation results for FYE2011:

- The July 1, 2010 assets are \$0.
- The FYE2011 Annual Required Contribution (ARC) is \$5,816.8 million.
- Expected benefit payments for the year ending June 30, 2011 are \$1,612.0 million.

The following table shows results by active, inactive and retired employee groups. The tables below contain both Governmental Activities and Business-Type Activities. For GASB 43 purposes, the Business-Type Activities are generated by the participation in the SHBP by Local Governmental employers. Governmental Activities are detailed by State and Local Educational (which is a State responsibility) components.

The Division of Pensions and Benefits, in consultation with Aon Hewitt, has determined that the SHBP is a Cost-Sharing plan for its Business-Type Activities participants. Benefit risks are shared, contributions (premium payments) may legally be used to pay the benefits for any participating employer and the same contribution rates apply for each participating employer.

A. Medical and Prescription Drug (\$ millions)

	(1) State (\$ millions)	(2) Education- State (\$ millions)	(3) Subtotal = (1) + (2) (\$ millions)	(4) Local (\$ millions)	Total = (3) + (4) (\$ millions)
Actuarial Accrued Liability					
Active	\$12,839.5	\$21,042.7	\$33,882.1	\$6,990.9	\$40,873.0
Retirees	\$7,191.1	\$12,126.1	\$19,317.2	\$4,027.7	\$23,345.0
Total	\$20,030.6	\$33,168.8	\$53,199.4	\$11,018.6	\$64,218.0
Assets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Unfunded Actuarial Accrued Liability	\$20,030.6	\$33,168.8	\$53,199.4	\$11,018.6	\$64,218.0
Normal Cost at beginning of year	\$878.2	\$1,431.2	\$2,309.4	\$463.8	\$2,773.2



Principal Valuation Results (Continued)

B. Medicare Part B Reimbursement (\$ millions)

	(1) State (\$ millions)	(2) Education- State (\$ millions)	(3) Subtotal = (1) + (2) (\$ millions)	(4) Local (\$ millions)	Total = (3) + (4) (\$ millions)
Actuarial Accrued Liability					
Active	\$143.7	\$2,967.7	\$3,111.4	\$627.2	\$3,738.6
Retirees	\$916.1	\$2,055.0	\$2,971.2	\$444.0	\$3,415.2
Total	\$1,059.8	\$5,022.8	\$6,082.6	\$1,071.2	\$7,153.8
Assets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Unfunded Actuarial Accrued Liability	\$1,059.8	\$5,022.8	\$6,082.6	\$1,071.2	\$7,153.8
Normal Cost at beginning of year	\$9.5	\$196.1	\$205.6	\$39.3	\$244.9

C. Total (\$ millions)

	(1) State (\$ millions)	(2) Education- State (\$ millions)	(3) Subtotal = (1) + (2) (\$ millions)	(4) Local (\$ millions)	Total = (3) + (4) (\$ millions)
Actuarial Accrued Liability					
Active	\$12,983.2	\$24,010.4	\$36,993.6	\$7,618.1	\$44,611.7
Retirees	\$8,107.3	\$14,181.1	\$22,288.4	\$4,471.8	\$26,760.2
Total	\$21,090.4	\$38,191.5	\$59,282.0	\$12,089.8	\$71,371.8
Assets	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Unfunded Actuarial Accrued Liability	\$21,090.4	\$38,191.5	\$59,282.0	\$12,089.8	\$71,371.8
Normal Cost at beginning of year	\$887.7	\$1,627.3	\$2,515.0	\$503.1	\$3,018.1



Accounting Information

The effective date for the new GASB OPEB Accounting Standard is the Fiscal Year ending June 30, 2007. The following shows the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and projected June 30, 2011 Net OPEB Obligation (NOO), assuming the accounting standard is first adopted for the FYE2007.

Annual Required Contribution (ARC)

The Standard sets the method for determining the State of New Jersey's postemployment benefits accrual, the Annual Required Contribution (ARC), to include both the value of benefits earned during the year (Normal Cost) and an amortization of the Unfunded Actuarial Accrued Liability. Accordingly, the following table shows the State of New Jersey's FYE2011 Annual Required Contribution (ARC) based on a 30-year amortization of the Unfunded Actuarial Accrued Liability as an increasing 4.0% annual amortization. This increasing annual amortization is representative of amortizing on level percentage of payroll, as allowed by the Standard.

Fiscal Year Ending June 30, 2011 (\$ millions)					
	State	Education-State	Subtotal	Local	Total
Normal Cost	\$927.7	\$1,700.5	\$2,628.1	\$525.8	\$3,153.9
Unfunded Actuarial Accrued Liability Amortization	\$786.9	\$1,424.9	\$2,211.8	\$451.1	\$2,662.9
Annual Required Contribution (ARC)	\$1,714.5	\$3,125.4	\$4,839.9	\$976.9	\$5,816.8



Accounting Information (continued)

Annual OPEB Cost (AOC)

Fiscal Year Ending June 30, 2011 (\$ millions)					
	State	Education- State	Subtotal	Local	Total
Annual Required Contribution (ARC)	\$1,714.5	\$3,125.4	\$4,839.9	\$976.9	\$5,816.8
Adjustment to Annual Required Contribution	\$41.2	\$66.5	\$107.7	\$18.8	\$126.5
Total Annual OPEB Cost (AOC)	\$1,755.8	\$3,191.9	\$4,947.6	\$995.6	\$5,943.2



Accounting Information (continued)

Annual OPEB Cost Summary:

State & Education

Fiscal Year Ending	Annual OPEB Cost (\$ millions)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (\$ millions) *
6/30/2007	\$4,948.0	21.5%	\$3,883.5
6/30/2008	\$4,276.8	25.0%	\$7,090.7
6/30/2009	\$4,676.1	25.4%	\$10,579.6
6/30/2010	\$4,749.8	27.9%	\$14,002.4
6/30/2011	\$4,947.6	29.2%	\$17,505.1
*Based on expected benefit payments plus Retiree Drug Subsidy for the applicable fiscal year end.			

Local

Fiscal Year Ending	Annual OPEB Cost (\$ millions)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (\$ millions) *
6/30/2007	\$892.2	20.8%	\$ 706.3
6/30/2008	\$753.5	23.9%	\$1,279.9
6/30/2009	\$723.7	23.4%	\$1,834.0
6/30/2010	\$816.2	25.6%	\$2,441.1
6/30/2011	\$995.6	25.2%	\$3,185.6
*Based on expected benefit payments plus Retiree Drug Subsidy for the applicable fiscal year end.			



Accounting Information (continued)

Projected June 30, 2011 Net OPEB Obligation (NOO)

Based on the Annual OPEB Cost developed above, the following is the projected June 30, 2011 Net OPEB Obligation (NOO):

State & Education

	Total (\$ millions)
July 1, 2010 Net OPEB Obligation (NOO)	\$14,002.4
<i>Plus:</i> Annual OPEB Cost (AOC)	\$4,947.6
<i>Less:</i> Schedule of contributions from the employer and other contributing entities	\$1,444.9
<i>Equals: Expected June 30, 2011 Net OPEB Obligation (NOO)+</i>	\$17,505.1
⁺ Actual reserves would use actual 2011 FY benefit payments.	

Local

	Total (\$ millions)
July 1, 2010 Net OPEB Obligation (NOO)	\$2,441.1
<i>Plus:</i> Annual OPEB Cost (AOC)	\$995.6
<i>Less:</i> Schedule of contributions from the employer and other contributing entities	\$251.1
<i>Equals: Expected June 30, 2011 Net OPEB Obligation (NOO)+</i>	\$3,185.6
⁺ Actual reserves would use actual 2011 FY benefit payments.	

Contributions From Other Contributing Entities

Fiscal Year Ending June 30, 2011	State + Education (\$ millions)	Local (\$ millions)
Medicare Part D Subsidy	\$74.3	\$9.9
Early Retirement Reinsurance Program Reimbursement	\$0.0	\$0.0
Total	\$74.3	\$9.9



Accounting Information (continued)

Required Supplementary Information

Below is the projected schedule of funding progress:

State & Education

Valuation Date	Actuarial Value of Assets (\$ millions) (a)	Actuarial Accrued Liability (\$ millions) (b)	Unfunded Actuarial Accrued Liability (\$ millions) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (\$ millions) (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b) - (a)] / (c)
07/01/2006	\$0	\$58,059.0	\$58,059.0	0%	Not Available*	Not Available*
07/01/2007	\$0	\$50,649.5	\$50,649.5	0%	Not Available*	Not Available*
07/01/2008	\$0	\$55,913.5	\$55,913.5	0%	\$20,180.2	277.1%
07/01/2009	\$0	\$56,782.5	\$56,782.5	0%	\$20,794.4	273.1%
07/01/2010	\$0	\$59,282.0	\$59,282.0	0%	\$20,870.0	284.1%

Local

Valuation Date	Actuarial Value of Assets (\$ millions) (a)	Actuarial Accrued Liability (\$ millions) (b)	Unfunded Actuarial Accrued Liability (\$ millions) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (\$ millions) (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b) - (a)] / (c)
07/01/2006	\$0	\$10,774.6	\$10,774.6	0%	Not Available*	Not Available*
07/01/2007	\$0	\$9,096.6	\$9,096.6	0%	Not Available*	Not Available*
07/01/2008	\$0	\$8,840.5	\$8,840.5	0%	\$2,411.7	366.6%
07/01/2009	\$0	\$10,010.4	\$10,010.4	0%	\$2,607.2	384.0%
07/01/2010	\$0	\$12,089.8	\$12,089.8	0%	\$2,844.1	425.1%

* Required disclosure at adoption of standard. Covered payroll not collected from the State of New Jersey for this initial analysis.



10-Year Payout Projection

Annual payments expected based on assumptions and contributions detailed in the Methods and Assumptions Section.

I. Medical and Prescription Drug Claims

Year Ending	State (\$ millions)	Education- State (\$ millions)	Subtotal (\$ millions)	Local (\$ millions)	Total (\$ millions)
6/30/2011	\$411.1	\$816.9	\$1,228.0	\$223.8	\$1,451.8
6/30/2012	\$470.4	\$922.9	\$1,393.3	\$254.6	\$1,647.9
6/30/2013	\$529.4	\$1,018.8	\$1,548.2	\$285.6	\$1,833.8
6/30/2014	\$593.8	\$1,115.5	\$1,709.3	\$319.6	\$2,028.9
6/30/2015	\$657.5	\$1,203.8	\$1,861.3	\$353.0	\$2,214.3
6/30/2016	\$719.0	\$1,287.6	\$2,006.6	\$386.9	\$2,393.5
6/30/2017	\$779.5	\$1,365.2	\$2,144.7	\$419.6	\$2,564.3
6/30/2018	\$834.4	\$1,436.1	\$2,270.5	\$450.6	\$2,721.1
6/30/2019	\$889.6	\$1,508.4	\$2,398.0	\$481.8	\$2,879.8
6/30/2020	\$940.2	\$1,575.0	\$2,515.2	\$510.9	\$3,026.1

II. Medicare Part B Reimbursement

Year Ending	State (\$ millions)	Education- State (\$ millions)	Subtotal (\$ millions)	Local (\$ millions)	Total (\$ millions)
6/30/2011	\$37.3	\$105.3	\$142.6	\$17.3	\$159.9
6/30/2012	\$40.3	\$119.3	\$159.6	\$19.2	\$178.8
6/30/2013	\$43.7	\$134.5	\$178.2	\$21.1	\$199.3
6/30/2014	\$46.7	\$149.7	\$196.4	\$23.1	\$219.5
6/30/2015	\$49.8	\$165.8	\$215.6	\$25.3	\$240.9
6/30/2016	\$52.9	\$181.8	\$234.7	\$27.7	\$262.4
6/30/2017	\$55.6	\$197.7	\$253.3	\$30.3	\$283.6
6/30/2018	\$58.2	\$213.2	\$271.4	\$33.0	\$304.4
6/30/2019	\$60.3	\$227.4	\$287.7	\$35.8	\$323.5
6/30/2020	\$62.4	\$240.9	\$303.3	\$38.9	\$342.2



10-Year Payout Projection (continued)

III. Total

Year Ending	State (\$ millions)	Education- State (\$ millions)	Subtotal (\$ millions)	Local (\$ millions)	Total (\$ millions)
6/30/2011	\$448.4	\$922.2	\$1,370.6	\$241.1	\$1,611.7
6/30/2012	\$510.7	\$1,042.2	\$1,552.9	\$273.8	\$1,826.7
6/30/2013	\$573.1	\$1,153.3	\$1,726.4	\$306.7	\$2,033.1
6/30/2014	\$640.5	\$1,265.2	\$1,905.7	\$342.7	\$2,248.4
6/30/2015	\$707.3	\$1,369.6	\$2,076.9	\$378.3	\$2,455.2
6/30/2016	\$771.9	\$1,469.4	\$2,241.3	\$414.6	\$2,655.9
6/30/2017	\$835.1	\$1,562.9	\$2,398.0	\$449.9	\$2,847.9
6/30/2018	\$892.6	\$1,649.3	\$2,541.9	\$483.6	\$3,025.5
6/30/2019	\$949.9	\$1,735.8	\$2,685.7	\$517.6	\$3,203.3
6/30/2020	\$1,002.6	\$1,815.9	\$2,818.5	\$549.8	\$3,368.3

IV. Medicare Part D Retiree Drug Subsidy

Year Ending	State (\$ millions)	Education- State (\$ millions)	Subtotal (\$ millions)	Local (\$ millions)	Total (\$ millions)
6/30/2011	\$21.6	\$52.7	\$74.3	\$9.9	\$84.2
6/30/2012	\$25.4	\$62.5	\$87.9	\$11.6	\$99.5
6/30/2013	\$29.7	\$73.4	\$103.1	\$13.3	\$116.4
6/30/2014	\$34.3	\$84.9	\$119.2	\$15.1	\$134.3
6/30/2015	\$39.4	\$97.4	\$136.8	\$17.1	\$153.9
6/30/2016	\$44.9	\$110.4	\$155.3	\$19.3	\$174.6
6/30/2017	\$50.6	\$123.5	\$174.1	\$21.7	\$195.8
6/30/2018	\$56.6	\$136.6	\$193.2	\$24.1	\$217.3
6/30/2019	\$62.6	\$148.9	\$211.5	\$26.6	\$238.1
6/30/2020	\$68.8	\$160.5	\$229.3	\$29.3	\$258.6

V. Early Retirement Reinsurance Program Reimbursement

Year Ending	State (\$ millions)	Education- State (\$ millions)	Subtotal (\$ millions)	Local (\$ millions)	Total (\$ millions)
6/30/2011	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
6/30/2012	\$24.6	\$36.8	\$61.4	\$16.2	\$77.6
6/30/2013	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
6/30/2014	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
6/30/2015	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
6/30/2016	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
6/30/2017	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
6/30/2018	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
6/30/2019	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
6/30/2020	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0



10-Year Projection of Annual OPEB Cost (AOC)

Projections assume a closed group population (i.e., no new hires).

State & Education

Fiscal Year Ending	ARC (\$ millions)	Adjustment to ARC* (\$ millions)	Total AOC (\$ millions)	Contributions (\$ millions)	Net OPEB Obligation at end of FY (\$ millions)
6/30/2011	\$4,839.9	\$107.7	\$4,947.6	\$1,444.9	\$17,505.1
6/30/2012	\$5,104.6	\$134.6	\$5,239.3	\$1,702.3	\$21,042.1
6/30/2013	\$5,378.9	\$161.8	\$5,540.7	\$1,829.5	\$24,753.2
6/30/2014	\$5,663.6	\$190.4	\$5,854.0	\$2,024.9	\$28,582.3
6/30/2015	\$5,959.3	\$219.8	\$6,179.1	\$2,213.7	\$32,547.6
6/30/2016	\$6,266.9	\$250.3	\$6,517.2	\$2,396.6	\$36,668.2
6/30/2017	\$6,587.4	\$282.0	\$6,869.4	\$2,572.0	\$40,965.6
6/30/2018	\$6,922.1	\$315.0	\$7,237.1	\$2,735.1	\$45,467.7
6/30/2019	\$7,272.2	\$349.7	\$7,621.9	\$2,897.2	\$50,192.3
6/30/2020	\$7,638.7	\$386.0	\$8,024.7	\$3,047.8	\$55,169.2

Local

Fiscal Year Ending	ARC (\$ millions)	Adjustment to ARC* (\$ millions)	Total AOC (\$ millions)	Contributions (\$ millions)	Net OPEB Obligation at end of FY (\$ millions)
6/30/2011	\$976.9	\$18.8	\$995.7	\$251.2	\$3,185.6
6/30/2012	\$1,031.4	\$24.5	\$1,055.9	\$301.5	\$3,940.0
6/30/2013	\$1,088.1	\$30.3	\$1,118.4	\$320.0	\$4,738.5
6/30/2014	\$1,147.1	\$36.4	\$1,183.5	\$357.7	\$5,564.3
6/30/2015	\$1,208.3	\$42.8	\$1,251.1	\$395.4	\$6,419.9
6/30/2016	\$1,272.0	\$49.4	\$1,321.3	\$433.9	\$7,307.3
6/30/2017	\$1,338.2	\$56.2	\$1,394.4	\$471.6	\$8,230.0
6/30/2018	\$1,407.1	\$63.3	\$1,470.4	\$507.8	\$9,192.7
6/30/2019	\$1,479.1	\$70.7	\$1,549.8	\$544.2	\$10,198.3
6/30/2020	\$1,554.3	\$78.4	\$1,632.7	\$579.1	\$11,251.9

*Including interest on Net OPEB Obligation



GASB 45 Results

The following shows the Actuarial Accrued Liability, Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and projected June 30, 2011 Net OPEB Obligation (NOO). GASB 45 was adopted for the FYE2008.

	(1) State (\$ millions)	(2) Education- State (\$ millions)	(3) Total = (1) + (2) (\$ millions)
Actuarial Accrued Liability			
Active	\$12,983.2	\$24,010.4	\$36,993.6
Retirees	\$8,107.3	\$14,181.1	\$22,288.4
Total	\$21,090.4	\$38,191.5	\$59,282.0
Assets	\$0.0	\$0.0	\$0.0
Unfunded Actuarial Accrued Liability	\$21,090.4	\$38,191.5	\$59,282.0
Normal Cost at beginning of year	\$887.7	\$1,627.3	\$2,515.0

Fiscal Year Ending June 30, 2011 (\$ millions)			
	State	Education- State	Total
Normal Cost	\$927.7	\$1,700.5	\$2,628.1
Unfunded Actuarial Accrued Liability Amortization	\$786.9	\$1,424.9	\$2,211.8
Annual Required Contribution (ARC)	\$1,714.5	\$3,125.4	\$4,839.9

Fiscal Year Ending June 30, 2011 (\$ millions)			
	State	Education- State	Total
Annual Required Contribution (ARC)	\$1,714.5	\$3,125.4	\$4,839.9
Adjustment to Annual Required Contribution	\$29.0	\$48.1	\$77.1
Total Annual OPEB Cost (AOC)	\$1,743.5	\$3,173.5	\$4,917.1



GASB 45 Results (continued)

	Total (\$ millions)
July 1, 2010 Net OPEB Obligation (NOO)	\$10,028.8
<i>Plus:</i> Annual OPEB Cost (AOC)	\$4,917.1
<i>Less:</i> Schedule of contributions from the employer and other contributing entities	\$1,444.9
<i>Equals: Expected June 30, 2011 Net OPEB Obligation (NOO)+</i>	\$13,501.0
+ Actual reserves would use actual 2011 FY benefit payments.	

Contributions From Other Contributing Entities

Fiscal Year Ending June 30, 2011	State + Education (\$ millions)
Medicare Part D Subsidy	\$74.3
Early Retirement Reinsurance Program Reimbursement	\$0.0
Total	\$74.3



Demographic Information

The following tables summarize active and retiree demographic information.

Participant Counts					
Group	State	Education-State	Subtotal	Local	Total
<u>Actives</u>					
<i>PERS General</i>	78,706	89,045	167,751	32,524	200,275
<i>PERS Law Enforcement</i>	3	-	3	31	34
<i>PERS Legislators</i>	88	2	90	3	93
<i>PERS Prosecutors</i>	1	-	1	1	2
<i>JRS</i>	426	-	426	-	426
<i>SPRS</i>	3,090	-	3,090	-	3,090
<i>TPAF</i>	-	157,647	157,647	-	157,647
<i>ABP</i>	25,867	2,819	28,686	1	28,687
<i>PFRS</i>	7,341	32	7,373	13,179	20,552
Active Total	115,522	249,545	365,067	45,739	410,806
<u>Retirees</u>					
Single Coverage					
<i>HMO</i>	3,483	2,456	5,939	1,023	6,962
<i>NJ Direct</i>	13,265	28,816	42,081	5,581	47,662
Family Coverage					
<i>HMO</i>	4,134	4,186	8,320	2,047	10,367
<i>NJ Direct</i>	14,540	41,523	56,063	8,187	64,250
<i>No Coverage</i>	191	139	330	63	393
Retiree Total	35,613	77,120	112,733	16,901	129,634
Spouses of Retirees Total	18,674	45,709	64,383	10,234	74,617
Grand Total	169,809	372,374	542,183	72,874	615,057



Demographic Information (continued)

Male / Female Ratio					
Group	State	Education-State	Subtotal	Local	Total
<u>Actives</u>					
% Female	56%	75%	69%	35%	65%
% Male	44%	25%	31%	65%	35%
<u>Retirees</u>					
% Female	49%	66%	60%	28%	56%
% Male	51%	34%	40%	72%	44%

Average Age					
Group	State	Education-State	Subtotal	Local	Total
Actives	46.50	46.43	46.46	46.30	46.44
Retirees	67.82	69.95	69.28	66.83	68.96

Average Service					
Group	State	Education-State	Subtotal	Local	Total
Actives	12.87	12.61	12.69	14.04	12.84
Retirees	N/A	N/A	N/A	N/A	N/A

Age-Service Scatter

Age	Service							Total
	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
15-19	39							39
20-24	5,214	231						5,445
25-29	24,616	10,238	187					35,041
30-34	13,733	24,324	6,715	73				44,845
35-39	9,615	13,649	16,008	3,743	246			43,261
40-44	9,730	11,745	10,968	10,148	5,741	347		48,679
45-49	9,434	12,763	9,648	6,535	10,979	5,254	112	54,725
50-54	7,576	12,074	10,907	7,184	8,518	9,972	3,298	59,529
55-59	5,292	8,604	8,785	7,773	9,380	7,422	10,582	57,838
60-64	3,139	5,484	5,115	4,951	7,456	5,768	8,274	40,187
65-69	1,217	2,511	2,288	1,847	2,680	2,334	2,684	15,561
70+	367	821	869	796	966	713	1,124	5,656
Total	89,972	102,444	71,490	43,050	45,966	31,810	26,074	410,806



Plan Provisions

Program Eligibility for Retired Group Coverage

The following individuals will be offered Program's Retired Group coverage for themselves and their eligible dependents:

- Full-time State employees, employees of State colleges/universities, autonomous State agencies and commissions, or local employees who were covered by, or eligible for, the SHBP at the time of retirement.
- Part-time State employees and part-time faculty at institutions of higher education that participate in the SHBP if enrolled in the SHBP at the time of retirement.

The following subsections outline the eligibility for retirement (that would qualify a retiree for State-paid Program benefits) for the various groups of State employees. Service under multiple Retirement Systems can be aggregated for purposes of Program's benefit eligibility.

Public Employees' Retirement System Members

(i) In General for State-paid Benefits

Service Retirement	Eligible at age 60 with 25 years of service.
Early Retirement	Eligible after 25 years of service prior to age 60.
Ordinary Disability Retirement	Eligible after 10 years of service and total and permanent disability.
Accidental Disability	Eligible upon total and permanent disability as a result of a duty injury.

(ii) Law Enforcement (Chapter 330, P.L. 1997)

In General for State-paid Benefits

Service Retirement	Eligible at age 55 after 25 years of service.
Chapter 4, P.L. 2001 Special Retirement	Completion of 25 years of service
Ordinary Disability	Eligible after 5 years of service and total and permanent disability

(iii) Legislators



In General for State-paid Benefits

Service Retirement	Eligible at age 60 and 25 years of service.
Early Retirement	Attainment of 25 years of service prior to age 60.
Ordinary Disability Retirement	Eligible after 10 years of service and total and permanent disability.
Accidental Disability	Eligible upon total and permanent disability as a result of a duty injury.

(iv) Prosecutors Part (Chapter 366, P.L. 2001)

In General for State-paid Benefits

Service Retirement	Eligible after age 55 and 25 years of service.
Special Retirement	After completion of 25 years of service.
Ordinary Disability Retirement	Eligible after 10 years of service and total and permanent disability.
Accidental Disability	Eligible upon total and permanent disability as a result of a duty injury.



(v) Workers' Compensation Judges Part (Chapter 259, P.L. 2001)

Service Retirement	<p>(A) Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows:</p> <ul style="list-style-type: none">(a) Age 70 and 10 years of service as a Workers' Compensation Judge;(b) Age 65 and 15 years of service as a Workers' Compensation Judge; or(c) Age 60 and 20 years of service as a Workers' Compensation Judge. <p>(B) Age 65, with 5 consecutive years of service as a Workers' Compensation Judge and 15 years in the aggregate of public service; or</p> <p>Age 60, with 5 consecutive years of service as a Workers' Compensation Judge and 20 years in the aggregate of public service.</p>
In General for State-paid Benefits	Attainment of 25 years of service and Service Retirement eligibility.
Early Retirement	Prior to age 60, with 5 consecutive years of service as a Workers' Compensation Judge and 25 years or more in the aggregate of public service.
Ordinary Disability Retirement	Eligible after 10 years of service and total and permanent disability
Accidental Disability	Eligible upon total and permanent disability as a result of a duty injury.



Judicial Retirement System Members

Chief Justice and associate justices of the Supreme Court, judges of the Superior Court and tax courts of the State of New Jersey.

Service Retirement	(A) Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows: (a) Age 70 and 10 years of judicial service; (b) Age 65 and 15 years of judicial service; or (c) Age 60 and 20 years of judicial service. (B) Age 65 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service; or Age 60 while serving as a judge, 5 consecutive years of judicial service and 20 years in the aggregate of public service.
In General for State-paid Benefits	Attainment of 25 years of service and Service Retirement eligibility.
Early Retirement	Prior to age 60 while serving as a judge, 5 consecutive years of judicial service and 25 more years in the aggregate of public service.
Disability Retirement	Physically or otherwise incapacitated for a full and efficient service to the State in a judicial capacity, and such incapacity is likely to be permanent.

State Police Retirement System Members

All members of the former State Police and Benevolent Fund: full-time commissioned officers, non-commissioned officers or troopers of the Division of State Police. Membership is a condition of employment.



In General for State-paid Benefits

Service Retirement	Mandatory retirement at age 55. Voluntary retirement prior to age 55 with 25 years of credited service.
Ordinary Disability Retirement	A Member is eligible for Ordinary Disability Retirement if he (she) has 4 years of service and is totally and permanently incapacitated from the performance of usual or available duties.
Accidental Disability Retirement	A Member is eligible upon total and permanent incapacitation as a direct result of a traumatic event occurring during and as a result of the performance of regular or assigned duties.

Teachers Pension and Annuity Fund Members

Employees appointed to positions requiring certification as members of a regular teaching or professional staff of a public school system in New Jersey are required to enroll as a condition of employment. Employees of the Department of Education holding unclassified, professional and certified titles are eligible for membership. Temporary or substitute employees are not eligible.

In General for State-paid Benefits

Service Retirement	Eligibility means age 60 with 25 years of service for Program benefits.
Early Retirement	A Member may retire after completion of 25 years of Creditable Service.
Ordinary Disability Retirement	A Member is eligible for Ordinary Disability Retirement if he (she) has 10 years of Creditable Service and is totally and permanently incapacitated from the performance of usual or available duties.
Accidental Disability Retirement	A Member is eligible upon total and permanent incapacitation as a direct result of a traumatic event occurring during and as a result of the performance of regular or assigned duties.



Alternate Benefit Program (ABP) Members

Participants in the ABP who retire with at least 25 years of credited ABP service, or those who are on a long-term disability, will qualify for SHBP benefits.

Police and Firemen's Retirement System Members

Enrollment is restricted to eligible policemen and fireman who are permanent and full-time and who pass the physical and mental fitness requirements. The maximum enrollment age is 35.

In General for State-paid Benefits

Service Retirement	Eligibility means age 55 and 25 years of service. Mandatory at age 65.
Special Retirement	After completion of 25 years of service.
Ordinary Disability Retirement	A Member is eligible for Ordinary Disability Retirement if he (she) has 4 years of Service and is totally and permanently incapacitated from the performance of usual or available duties.
Accidental Disability Retirement	A Member is eligible upon total and permanent incapacitation from the performance of usual and available duties as a result of injury during the performance of regular duties.
Special Disability Retirement	A Member is eligible for Special Disability Retirement if he (she) has 5 years of Credited Service, is under age 55, and has received a heart transplant.



Medical Plans	In-Network				Out-of-Network		
	Office Visit / ER Copay	Deductible	Coinsurance	Out-of- Pocket Maximum	Deductible	Coinsurance	Out-of- Pocket Maximum
HMO	\$10 / \$35	None	100%	None	Not Covered		
NJ Direct 10	\$10 / \$25	None	100%	\$400	\$100	80%	\$2,000
NJ Direct 15	\$15 / \$50	None	100%	\$400	\$100	70%	\$2,000

Rx Plans	Retail			Mail			Out-of- Pocket Maximum
	Generic	Preferred Brand	Other Brand	Generic	Preferred Brand	Other Brand	
HMO (Education)	\$5	\$11	\$22	\$6	\$16	\$27	\$1,191
HMO (State & Local)	\$5	\$11	\$23	\$6	\$17	\$28	\$1,222
NJ Direct (Education)	\$8	\$18	\$37	\$9	\$27	\$45	\$1,191
NJ Direct (State & Local)	\$9	\$21	\$41	\$10	\$31	\$52	\$1,222



Methods and Assumptions

Actuarial Method

Projected Unit Credit Cost Method

Service Cost

Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of full benefit eligibility.

Actuarial Accrued Liability

The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.

Discount Rate

As of July 1, 2010
- 4.50%

Medical Trend (all programs in these categories)

Medicare Medical assumed to increase with Medical trend.

	Annual Rate of Increase	
	To Fiscal Year beginning	NJ Direct % HMOs %
2011		8.0 9.0
2012		7.5 8.5
2013		7.0 8.0
2014		6.5 7.5
2015		6.0 7.0
2016		5.5 6.5
2017		5.0 6.0
2018		5.0 5.5
2019		5.0 5.0
2020		5.0 5.0
2021 and Later		5.0 5.0



**Prescription Drug
Trend (all programs in
these categories)**

Medicare Prescription Drug
Subsidy assumed to increase
with prescription drug trend.
Subsidy does not reduce
liability.

Annual Rate of Increase	
To Fiscal Year beginning	%
2011	10.0
2012	9.5
2013	9.0
2014	8.5
2015	8.0
2016	7.5
2017	7.0
2018	6.5
2019	6.0
2020	5.5
2021	5.0
2022 and Later	5.0

**Medicare Part B premium
reimbursement (includes
provision for phase-in of
AGI-based increased cost
for premiums)**

Annual Rate of Increase	
To Fiscal Year beginning	%
2011	5.0
2012	5.0
2013	5.0
2014	5.0
2015	5.0
2016	5.0
2017	5.0
2018	5.0
2019	5.0
2020	5.0
2021	5.0
2022 and Later	5.0



Morbidity

Medical

Expected medical claims are assumed to increase as participants age as follows:

Age	Annual Increase %
20-24	5.2%
25-29	3.2%
30-34	0.5%
35-39	1.0%
40-44	2.7%
45-49	3.8%
50-54	3.3%
55-59	3.6%
60-64	4.2%
65-69	3.0%
70-74	2.5%
75-79	2.0%
80-84	1.0%
85-89	0.5%
90+	0.0%



Prescription Drug

Expected prescription drug claims are assumed to increase as participants age as follows.

Age	Annual Increase %
20-24	5.2%
25-29	3.2%
30-34	0.5%
35-39	1.0%
40-44	2.7%
45-49	3.8%
50-54	3.3%
55-59	3.6%
60-64	4.2%
65-69	3.0%
70-74	2.5%
75-79	2.0%
80-84	1.0%
85-89	0.5%
90+	0.0%



Starting Costs for Current Retirees

Age	State Retirees					
	PPO (NJ Direct)			HMO		
	Medical & Admin	Rx Claims	Retiree Rx Subs	Medical & Admin	Rx Claims	Retiree Rx Subs
25	\$3,487	\$931	\$0	\$3,795	\$1,114	\$0
30	\$4,043	\$1,087	\$0	\$4,374	\$1,302	\$0
35	\$4,145	\$1,117	\$0	\$4,480	\$1,337	\$0
40	\$4,339	\$1,172	\$0	\$4,682	\$1,402	\$0
45	\$4,924	\$1,337	\$0	\$5,290	\$1,602	\$0
50	\$5,906	\$1,614	\$0	\$6,311	\$1,936	\$0
55	\$6,910	\$1,899	\$0	\$7,357	\$2,277	\$0
60	\$8,206	\$2,266	\$0	\$8,708	\$2,717	\$0
65	\$1,748	\$2,479	(\$537)	\$1,932	\$3,157	(\$679)
70	\$1,987	\$2,874	(\$623)	\$2,240	\$3,662	(\$787)
75	\$2,216	\$3,252	(\$705)	\$2,534	\$4,144	(\$891)
80	\$2,421	\$3,590	(\$778)	\$2,799	\$4,576	(\$984)
85	\$2,532	\$3,773	(\$818)	\$2,942	\$4,810	(\$1,034)
90	\$2,590	\$3,868	(\$838)	\$3,017	\$4,931	(\$1,059)

Age	Education Retirees					
	PPO (NJ Direct)			HMO		
	Medical & Admin	Rx Claims	Retiree Rx Subs	Medical & Admin	Rx Claims	Retiree Rx Subs
25	\$3,199	\$862	\$0	\$3,335	\$784	\$0
30	\$3,704	\$1,007	\$0	\$3,837	\$916	\$0
35	\$3,798	\$1,032	\$0	\$3,930	\$941	\$0
40	\$3,975	\$1,082	\$0	\$4,105	\$986	\$0
45	\$4,506	\$1,235	\$0	\$4,633	\$1,125	\$0
50	\$5,397	\$1,490	\$0	\$5,520	\$1,358	\$0
55	\$6,312	\$1,752	\$0	\$6,430	\$1,597	\$0
60	\$7,491	\$2,091	\$0	\$7,603	\$1,907	\$0
65	\$1,637	\$2,252	(\$490)	\$1,716	\$2,790	(\$603)
70	\$1,859	\$2,612	(\$569)	\$1,989	\$3,234	(\$699)
75	\$2,071	\$2,955	(\$644)	\$2,251	\$3,659	(\$790)
80	\$2,262	\$3,262	(\$711)	\$2,486	\$4,040	(\$872)
85	\$2,365	\$3,429	(\$746)	\$2,613	\$4,246	(\$917)
90	\$2,420	\$3,514	(\$766)	\$2,678	\$4,353	(\$942)



Age	Local Government Retirees					
	PPO (NJ Direct)			HMO		
	Medical & Admin	Rx Claims	Retiree Rx Subs	Medical & Admin	Rx Claims	Retiree Rx Subs
25	\$4,233	\$953	\$0	\$4,569	\$1,176	\$0
30	\$4,915	\$1,113	\$0	\$5,283	\$1,374	\$0
35	\$5,040	\$1,143	\$0	\$5,414	\$1,409	\$0
40	\$5,279	\$1,198	\$0	\$5,663	\$1,479	\$0
45	\$5,996	\$1,368	\$0	\$6,413	\$1,689	\$0
50	\$7,200	\$1,653	\$0	\$7,673	\$2,040	\$0
55	\$8,435	\$1,944	\$0	\$8,965	\$2,400	\$0
60	\$10,027	\$2,321	\$0	\$10,632	\$2,865	\$0
65	\$1,869	\$2,517	(\$547)	\$1,857	\$3,337	(\$717)
70	\$2,125	\$2,918	(\$633)	\$2,153	\$3,868	(\$830)
75	\$2,371	\$3,303	(\$716)	\$2,436	\$4,377	(\$939)
80	\$2,591	\$3,647	(\$791)	\$2,691	\$4,833	(\$1,037)
85	\$2,710	\$3,833	(\$831)	\$2,828	\$5,079	(\$1,090)
90	\$2,771	\$3,929	(\$851)	\$2,898	\$5,208	(\$1,118)

Starting Costs for Future Retirees

Age	State Actives			Education Actives			Local Government Actives		
	SuperBlend			SuperBlend			SuperBlend		
	Medical & Admin	Rx Claims	Retiree Rx Subs	Medical & Admin	Rx Claims	Retiree Rx Subs	Medical & Admin	Rx Claims	Retiree Rx Subs
25	\$3,549	\$968	\$0	\$3,226	\$846	\$0	\$4,300	\$998	\$0
30	\$4,109	\$1,130	\$0	\$3,730	\$989	\$0	\$4,989	\$1,165	\$0
35	\$4,212	\$1,161	\$0	\$3,824	\$1,014	\$0	\$5,115	\$1,196	\$0
40	\$4,408	\$1,218	\$0	\$4,001	\$1,063	\$0	\$5,356	\$1,254	\$0
45	\$4,997	\$1,390	\$0	\$4,531	\$1,213	\$0	\$6,079	\$1,432	\$0
50	\$5,987	\$1,678	\$0	\$5,421	\$1,464	\$0	\$7,295	\$1,730	\$0
55	\$6,999	\$1,975	\$0	\$6,335	\$1,721	\$0	\$8,541	\$2,035	\$0
60	\$8,306	\$2,356	\$0	\$7,513	\$2,054	\$0	\$10,148	\$2,430	\$0
65	\$1,785	\$2,615	(\$565)	\$1,653	\$2,360	(\$513)	\$1,867	\$2,681	(\$581)
70	\$2,038	\$3,032	(\$656)	\$1,885	\$2,736	(\$595)	\$2,131	\$3,108	(\$672)
75	\$2,280	\$3,430	(\$742)	\$2,107	\$3,096	(\$673)	\$2,384	\$3,518	(\$761)
80	\$2,497	\$3,787	(\$819)	\$2,307	\$3,418	(\$743)	\$2,611	\$3,884	(\$840)
85	\$2,614	\$3,980	(\$861)	\$2,415	\$3,592	(\$780)	\$2,734	\$4,082	(\$883)
90	\$2,676	\$4,081	(\$882)	\$2,472	\$3,682	(\$801)	\$2,796	\$4,185	(\$904)

**Medicare Part B
Reimbursements**

Average Rates
\$102.58 per month



Retiree Contributions

We will exclude from the valuation process those individuals who pay 100% of the plan cost.

For retirees receiving State-paid SHBP benefits, we will apply average contribution rates to the population. Based on the reporting in published SHBP financial reports, the average contributions are as follows:

State: 2% of cost
Local: 5% of cost
Educational: 0% of cost

Certain future retirees will pay 1.5% of pension for retiree medical coverage, unless they participate in the New Jersey Retirees' Wellness Program. The valuation assumes that 100% of future retirees will participate in the Wellness Program and, therefore, avoid paying the contribution rates for coverage.

The contribution required in retirement for State employees who become members of a State or locally-administered retirement system on or after May 21, 2010 will not be waived for a retiree who participates in the Wellness Program. No adjustments have been made for the July 1, 2010 valuation.

Retiree Contributions for Current Retirees

Age	State		Education		Local Government	
	PPO	HMO	PPO	HMO	PPO	HMO
	Employee Contributions	Employee Contributions	Employee Contributions	Employee Contributions	Employee Contributions	Employee Contributions
25	(\$88)	(\$98)	\$0	\$0	(\$259)	(\$287)
30	(\$103)	(\$114)	\$0	\$0	(\$301)	(\$333)
35	(\$105)	(\$116)	\$0	\$0	(\$309)	(\$341)
40	(\$110)	(\$122)	\$0	\$0	(\$324)	(\$357)
45	(\$125)	(\$138)	\$0	\$0	(\$368)	(\$405)
50	(\$150)	(\$165)	\$0	\$0	(\$443)	(\$486)
55	(\$176)	(\$193)	\$0	\$0	(\$519)	(\$568)
60	(\$209)	(\$229)	\$0	\$0	(\$617)	(\$675)
65	(\$85)	(\$102)	\$0	\$0	(\$219)	(\$260)
70	(\$97)	(\$118)	\$0	\$0	(\$252)	(\$301)
75	(\$109)	(\$134)	\$0	\$0	(\$284)	(\$341)
80	(\$120)	(\$148)	\$0	\$0	(\$312)	(\$376)
85	(\$126)	(\$155)	\$0	\$0	(\$327)	(\$395)
90	(\$129)	(\$159)	\$0	\$0	(\$335)	(\$405)



Retiree Contributions for Future Retirees

	State	Education	Local Government
Age	Employee Contributions	Employee Contributions	Employee Contributions
25	(\$90)	\$0	(\$265)
30	(\$105)	\$0	(\$308)
35	(\$107)	\$0	(\$316)
40	(\$113)	\$0	(\$331)
45	(\$128)	\$0	(\$376)
50	(\$153)	\$0	(\$451)
55	(\$179)	\$0	(\$529)
60	(\$213)	\$0	(\$629)
65	(\$88)	\$0	(\$227)
70	(\$101)	\$0	(\$262)
75	(\$114)	\$0	(\$295)
80	(\$126)	\$0	(\$325)
85	(\$132)	\$0	(\$341)
90	(\$135)	\$0	(\$349)

Excise Tax

For purposes of estimating the excise tax associated with each option under the SHBP, per capita plan costs are developed on a two-tier basis (employee only and employee plus family) and are blended between Medicare and Non-Medicare participants. These composite costs are then compared to the thresholds stipulated in the legislation. The 2018 cost thresholds are assumed to be \$10,200 for individual and \$27,500 for family coverage, adjusted to reflect the additional impact of the valuation trend from 2010 to 2018 as compared to a limit on cost increase for a benchmark plan included in the legislation. After 2018, the cost thresholds are indexed by CPI (CPI +1% in 2019 only). CPI is assumed to be 3% in all future years.

Data Assumptions

*Age Difference/
% Married*

Males are assumed to be 3 years older than females.
90% married. Married actives are assumed to choose family coverage at retirement.

Spousal Coverage

Spouses are assumed to lose coverage upon the death of the former employee. While spouses may participate in the NJSHBP at an unsubsidized rate, we have assumed they will not participate.



<i>Coverage</i>	<p>We assumed that:</p> <ul style="list-style-type: none"> ➤ 100% of all retirees who currently have healthcare coverage will continue with the same coverage. ➤ Actives, upon retirement, will be assumed to have the following coverage blend: <ul style="list-style-type: none"> NJ Direct: 80% HMO: 20% ➤ Only 10% of State future retirees are assumed to be eligible for Medicare Part B reimbursement.
Valuation Methodology and Terminology	We have used GASB accounting methodology to determine the postretirement medical benefit obligations. GASB technical memorandum on Part D subsidy will be utilized as written. Retiree Drug Subsidy will NOT be shown as a reduction in plan sponsor liability, but as a source of funding.
Amortization Period	The amortization cost for the initial Unfunded Actuarial Accrued Liability is a level percentage of payroll, for a period of 30 years, with an assumption that payroll increases by 4% per year.
Pre-Retirement Mortality	RP 2000 Combined Healthy Mortality Table*
Post-Retirement Mortality	RP 2000 Combined Healthy Mortality Table*
Disabled Mortality	RP 2000 Combined Healthy Mortality Table*
Rates of Retirement	Sample rates displayed below
Rates of Withdrawal	Sample rates displayed below
Rates of Disability	Sample rates displayed below

Note: Alternate Benefit Program participants are assumed to follow Teachers Pension and Annuity Fund assumptions.

* The RP-2000 mortality table (Retirement Plan 2000) was constructed by the Society of Actuaries as a follow-up to the Retirement Protection Act of 1994, from 11 million life-years of exposure and over 190,000 deaths. The mortality table was projected to the year 2000, and is the emerging standard in mortality tables for valuation purposes.



Public Employees' Retirement System of New Jersey - State

Sample Rates

	Disability		Withdrawal - Tiers 1/2			Withdrawal - Tiers 3/4			
AGE	Ordinary	Accidental	3 - 9 Yrs			3 - 9 Yrs			Retirement
			1 Yr Service	Service	> 9 Yrs Service	1 Yr Service	Service	> 9 Yrs Service	
30	0.00097	0.00003	0.13532	0.04245	0.04245	0.13532	0.04245	0.04245	-
35	0.00240	0.00009	0.10831	0.03000	0.03048	0.10831	0.03000	0.03048	0.00048
40	0.00338	0.00015	0.08861	0.01799	0.01852	0.08861	0.01799	0.01852	0.00053
45	0.00513	0.00019	0.08264	0.01223	0.01408	0.08264	0.01223	0.01408	0.00185
50	0.00577	0.00023	0.07654	0.00896	0.01596	0.07654	0.00896	0.01596	0.00700
55	0.00819	0.00032	0.07654	0.00882	0.01582	0.07654	0.00882	0.01582	0.15400
60	0.01590	0.00041	0.08800	0.08800	0.08800	0.07654	0.00882	0.01582	0.08800
65	0.01653	0.00050	0.23100	0.23100	0.23100	0.23100	0.23100	0.23100	0.23100
70	-	-	-	-	-	-	-	-	1.00000

Public Employees' Retirement System of New Jersey - Local and Education

Sample Rates

	Disability		Withdrawal - Tiers 1/2			Withdrawal - Tiers 3/4			
AGE	Ordinary	Accidental	3 - 9 Yrs			3 - 9 Yrs			Retirement
			1 Yr Service	Service	> 9 Yrs Service	1 Yr Service	Service	> 9 Yrs Service	
30	0.00071	0.00004	0.14667	0.06427	0.06457	0.14667	0.06427	0.06457	0.00030
35	0.00222	0.00004	0.11744	0.03795	0.03834	0.11744	0.03795	0.03834	0.00039
40	0.00390	0.00008	0.10516	0.02770	0.02825	0.10516	0.02770	0.02825	0.00055
45	0.00394	0.00010	0.10082	0.02459	0.02646	0.10082	0.02459	0.02646	0.00187
50	0.00510	0.00014	0.09584	0.01845	0.02468	0.09584	0.01845	0.02468	0.00623
55	0.00768	0.00018	0.09395	0.01524	0.02144	0.09395	0.01524	0.02144	0.11700
60	0.00992	0.00023	0.07800	0.07800	0.07800	0.09395	0.01524	0.02144	0.07800
65	0.01219	0.00025	0.22100	0.22100	0.22100	0.22100	0.22100	0.22100	0.22100
70	-	-	-	-	-	-	-	-	1.00000

Tiers based on date of hire and are defined in the glossary.



STATE OF NEW JERSEY
POSTEMPLOYMENT BENEFIT PLANS
ACTUARIAL VALUATION

Public Employees' Retirement System of New Jersey - Prosecutor's Part (State)

Sample Rates

AGE	Disability		Withdrawal - Tiers 1/2				Withdrawal - Tiers 3/4				Retirement
	Ordinary	Accidental	1 Yr Service	3 - 9 Yrs Service	10 - 20 Yrs Service	21 - 24 Yrs Service	1 Yr Service	3 - 9 Yrs Service	10 - 20 Yrs Service	21 - 24 Yrs Service	> 24 Yrs Service
30	0.00097	0.00003	0.13532	0.04245	0.04245	0.04245	0.13532	0.04245	0.03540	0.03540	0.23100
35	0.00240	0.00009	0.10831	0.03000	0.03048	0.03048	0.10831	0.03000	0.03048	0.03048	0.23100
40	0.00338	0.00015	0.08861	0.01799	0.01852	0.01852	0.08861	0.01799	0.01852	0.01852	0.23100
45	0.00513	0.00019	0.08264	0.01223	0.01408	0.01408	0.08264	0.01223	0.01408	0.01408	0.23100
50	0.00577	0.00023	0.07654	0.00896	0.01596	0.01596	0.07654	0.00896	0.01596	0.01596	0.23100
55	0.00819	0.00032	0.07654	0.00882	0.04167	0.01582	0.07654	0.00882	0.04167	0.01582	0.26220
60	0.01590	0.00041	0.02630	0.02630	0.02630	-	0.07654	0.00882	0.04212	0.01582	0.34170
65	0.01653	0.00050	0.02630	0.02630	0.02630	-	0.02630	0.02630	0.02630	-	1.00000
70	-	-	-	-	-	-	-	-	-	-	1.00000

Public Employees' Retirement System of New Jersey - Prosecutor's Part (Local)

Sample Rates

AGE	Disability		Withdrawal - Tiers 1/2				Withdrawal - Tiers 3/4				Retirement
	Ordinary	Accidental	1 Yr Service	3 - 9 Yrs Service	10 - 20 Yrs Service	21 - 24 Yrs Service	1 Yr Service	3 - 9 Yrs Service	10 - 20 Yrs Service	21 - 24 Yrs Service	> 24 Yrs Service
30	0.00071	0.00004	0.14667	0.06427	0.06457	0.06457	0.14667	0.06427	0.06457	0.06457	0.15400
35	0.00222	0.00004	0.11744	0.03795	0.03834	0.03834	0.11744	0.03795	0.03834	0.03834	0.15400
40	0.00390	0.00008	0.10516	0.02770	0.02825	0.02825	0.10516	0.02770	0.02825	0.02825	0.15400
45	0.00394	0.00010	0.10082	0.02459	0.02646	0.02646	0.10082	0.02459	0.02646	0.02646	0.15400
50	0.00510	0.00014	0.09584	0.01845	0.02468	0.02468	0.09584	0.01845	0.02468	0.02468	0.15400
55	0.00768	0.00018	0.09395	0.01524	0.05204	0.02144	0.09395	0.01524	0.05204	0.02144	0.17480
60	0.00992	0.00023	0.03060	0.03060	0.03060	-	0.09395	0.01524	0.05204	0.02144	0.22780
65	0.01219	0.00025	0.03060	0.03060	0.03060	-	0.03060	0.03060	0.03060	-	1.00000
70	-	-	-	-	-	-	-	-	-	-	1.00000

Tiers based on date of hire and are defined in the glossary.



Judicial Retirement System of New Jersey

Sample Rates

AGE	Disability	Withdrawal		Retirement
		0 - 10 Yrs Service	> 10 Yrs Service	
30	0.00022	-	-	0.30000
35	0.00026	-	-	0.30000
40	0.00033	-	-	0.30000
45	0.00064	-	-	0.30000
50	0.00114	-	-	0.30000
55	0.00197	-	-	0.30000
60	0.00326	-	-	0.30000
65	0.00473	-	0.25000	0.25000
70	0.00705	-	-	1.00000



State Police Retirement System of New Jersey
Sample Rates

AGE	Disability		Withdrawal			Retirement	
	Ordinary	Accidental	< 5 Yrs Service	5 - 19 Yrs Service	20 Yrs Service	25 Yrs Service	> 25 Yrs Service
30	0.00087	0.00053	0.00500	0.00400	0.02000	0.40000	0.05000
35	0.00242	0.00194	0.00825	0.00100	0.02000	0.40000	0.05000
40	0.00245	0.00208	0.00825	0.00150	0.02000	0.40000	0.05000
45	0.00312	0.00214	0.00825	0.00200	0.02000	0.40000	0.25000
50	0.00536	0.00220	0.00825	0.00200	0.02000	0.40000	0.30000
55	-	-	0.00825	0.00200	0.02000	1.00000	1.00000

Police and Fireman's Retirement System of New Jersey
Sample Rates

AGE	Disability		Withdrawal			Retirement	
	Ordinary	Accidental	2 Yrs Service	4 Yrs Service	9 - 19 Yrs Service	25 Yrs Service	> 25 Yrs Service
30	0.00173	0.00139	0.02200	0.01740	0.00400	-	-
35	0.00360	0.00238	0.02250	0.01740	0.00300	-	-
40	0.00485	0.00318	0.02250	0.02320	0.00300	0.45573	0.15400
45	0.00527	0.00291	0.02250	0.02320	0.00300	0.52982	0.15400
50	0.00600	0.00179	0.02250	0.02000	0.00300	0.56772	0.15400
55	0.00900	0.00161	0.03200	0.03200	0.03200	0.59040	0.17480
60	0.01600	0.00161	0.03200	0.03200	0.03200	0.77490	0.22780
65	-	-	0.37500	0.37500	0.37500	1.00000	1.00000



Teachers' Pension and Annuity Fund - Males, Tier 1
(Also used for ABP Participants)

Sample Rates

AGE	Disability		Withdrawal					Retirement	
	Ordinary	Accidental	1 Yr Service	5 Yrs Service	9 Yrs Service	10 - 14 Yrs Service	15 - 19 Yrs Service	25 Yrs Service	> 25 Yrs Service
30	0.00047	0.00006	0.06720	0.02680	0.01520	0.01360	0.00981	0.00650	0.00650
35	0.00061	0.00006	0.06720	0.02680	0.01520	0.01360	0.00981	0.00650	0.00650
40	0.00070	0.00006	0.06720	0.02680	0.01520	0.01050	0.00756	0.00500	0.00500
45	0.00102	0.00006	0.06720	0.02680	0.01520	0.00800	0.00576	0.00380	0.00380
50	0.00142	0.00006	0.06720	0.02680	0.01520	0.00860	0.00621	0.00410	0.00410
55	0.00373	0.00006	0.06720	0.02680	0.01520	0.01460	0.01053	0.15000	0.15000
60	0.00591	0.00006	0.10000	0.10000	0.10000	0.10000	0.10000	0.27000	0.21000
65	0.01007	0.00006	0.17000	0.17000	0.17000	0.17000	0.17000	0.50000	0.38000
70	0.01252	0.00006	0.17000	0.17000	0.17000	0.17000	0.17000	0.50000	0.30000

Teachers' Pension and Annuity Fund - Females, Tier 1
(Also used for ABP Participants)

Sample Rates

AGE	Disability		Withdrawal					Retirement	
	Ordinary	Accidental	1 Yr Service	5 Yrs Service	9 Yrs Service	10 - 14 Yrs Service	15 - 19 Yrs Service	25 Yrs Service	> 25 Yrs Service
30	0.00055	0.00006	0.07000	0.05540	0.04070	0.04770	0.03906	0.02600	0.02600
35	0.00067	0.00006	0.07000	0.05540	0.04070	0.03550	0.02907	0.01940	0.01940
40	0.00089	0.00006	0.07000	0.02190	0.01280	0.01670	0.01368	0.00910	0.00910
45	0.00132	0.00006	0.07000	0.02190	0.01280	0.00760	0.00621	0.00410	0.00410
50	0.00176	0.00006	0.07000	0.02190	0.01280	0.00770	0.00630	0.00420	0.00420
55	0.00351	0.00006	0.07000	0.02190	0.01280	0.01430	0.01170	0.16000	0.16000
60	0.00665	0.00006	0.07000	0.07000	0.07000	0.07000	0.07000	0.30000	0.20000
65	0.01145	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.50000	0.35000
70	0.01931	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.50000	0.30000

Tiers based on date of hire and are defined in the glossary.



Teachers' Pension and Annuity Fund - Males, Tier 2
(Also used for ABP Participants)

AGE	Disability		Sample Rates					Retirement	
	Ordinary	Accidental	Withdrawal			10 - 14 Yrs	15 - 19 Yrs	25 Yrs Service	> 25 Yrs Service
			1 Yr Service	5 Yrs Service	9 Yrs Service	Service	Service		
30	0.00047	0.00006	0.06720	0.02680	0.01520	0.01360	0.00981	0.00650	0.00650
35	0.00061	0.00006	0.06720	0.02680	0.01520	0.01360	0.00981	0.00650	0.00650
40	0.00070	0.00006	0.06720	0.02680	0.01520	0.01050	0.00756	0.00500	0.00500
45	0.00102	0.00006	0.06720	0.02680	0.01520	0.00800	0.00576	0.00380	0.00380
50	0.00142	0.00006	0.06720	0.02680	0.01520	0.00860	0.00621	0.00410	0.00410
55	0.00373	0.00006	0.06720	0.02680	0.01520	0.01460	0.01053	0.00700	0.00700
60	0.00591	0.00006	0.10000	0.10000	0.10000	0.10000	0.10000	0.29000	0.29000
65	0.01007	0.00006	0.17000	0.17000	0.17000	0.17000	0.17000	0.50000	0.38000
70	0.01252	0.00006	0.17000	0.17000	0.17000	0.17000	0.17000	0.50000	0.30000

Teachers' Pension and Annuity Fund - Females, Tier 2
(Also used for ABP Participants)

AGE	Disability		Sample Rates					Retirement	
	Ordinary	Accidental	Withdrawal			10 - 14 Yrs	15 - 19 Yrs	25 Yrs Service	> 25 Yrs Service
			1 Yr Service	5 Yrs Service	9 Yrs Service	Service	Service		
30	0.00055	0.00006	0.07000	0.05540	0.04070	0.04770	0.03906	0.02600	0.02600
35	0.00067	0.00006	0.07000	0.05540	0.04070	0.03550	0.02907	0.01940	0.01940
40	0.00089	0.00006	0.07000	0.02190	0.01280	0.01670	0.01368	0.00910	0.00910
45	0.00132	0.00006	0.07000	0.02190	0.01280	0.00760	0.00621	0.00410	0.00410
50	0.00176	0.00006	0.07000	0.02190	0.01280	0.00770	0.00630	0.00420	0.00420
55	0.00351	0.00006	0.07000	0.02190	0.01280	0.01430	0.01170	0.00780	0.00780
60	0.00665	0.00006	0.07000	0.07000	0.07000	0.07000	0.07000	0.30000	0.30000
65	0.01145	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.50000	0.35000
70	0.01931	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.50000	0.30000

Tiers based on date of hire and are defined in the glossary.



Teachers' Pension and Annuity Fund - Males, Tiers 3/4
(Also used for ABP Participants)

AGE	Disability		Sample Rates					Retirement	
	Ordinary	Accidental	Withdrawal			10 - 14 Yrs Service	15 - 19 Yrs Service	25 Yrs Service	> 25 Yrs Service
			1 Yr Service	5 Yrs Service	9 Yrs Service				
30	0.00047	0.00006	0.06720	0.02680	0.01520	0.01360	0.00981	0.00650	0.00650
35	0.00061	0.00006	0.06720	0.02680	0.01520	0.01360	0.00981	0.00650	0.00650
40	0.00070	0.00006	0.06720	0.02680	0.01520	0.01050	0.00756	0.00500	0.00500
45	0.00102	0.00006	0.06720	0.02680	0.01520	0.00800	0.00576	0.00380	0.00380
50	0.00142	0.00006	0.06720	0.02680	0.01520	0.00860	0.00621	0.00410	0.00410
55	0.00373	0.00006	0.06720	0.02680	0.01520	0.01460	0.01053	0.00700	0.00700
60	0.00591	0.00006	0.17000	0.17000	0.17000	0.17000	0.17000	0.00890	0.00890
65	0.01007	0.00006	0.17000	0.17000	0.17000	0.17000	0.17000	0.50000	0.38000
70	0.01252	0.00006	0.17000	0.17000	0.17000	0.17000	0.17000	0.50000	0.30000

Teachers' Pension and Annuity Fund - Females, Tiers 3/4
(Also used for ABP Participants)

AGE	Disability		Sample Rates					Retirement	
	Ordinary	Accidental	Withdrawal			10 - 14 Yrs Service	15 - 19 Yrs Service	25 Yrs Service	> 25 Yrs Service
			1 Yr Service	5 Yrs Service	9 Yrs Service				
30	0.00055	0.00006	0.07000	0.05540	0.04070	0.04770	0.03906	0.02600	0.02600
35	0.00067	0.00006	0.07000	0.05540	0.04070	0.03550	0.02907	0.01940	0.01940
40	0.00089	0.00006	0.07000	0.02190	0.01280	0.01670	0.01368	0.00910	0.00910
45	0.00132	0.00006	0.07000	0.02190	0.01280	0.00760	0.00621	0.00410	0.00410
50	0.00176	0.00006	0.07000	0.02190	0.01280	0.00770	0.00630	0.00420	0.00420
55	0.00351	0.00006	0.07000	0.02190	0.01280	0.01430	0.01170	0.00780	0.00780
60	0.00665	0.00006	0.19000	0.19000	0.19000	0.19000	0.19000	0.00970	0.00970
65	0.01145	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.50000	0.35000
70	0.01931	0.00006	0.15000	0.15000	0.15000	0.15000	0.15000	0.50000	0.30000

Tiers based on date of hire and are defined in the glossary.



GASB OPEB Summary

The Government Accounting Standards Board (GASB) has issued Statements No. 43 and 45 for the recognition and disclosure for public entities sponsoring other (than pensions) post-retirement benefit plans.

This Exhibit summarizes pertinent issues from the above statements, contrasts them to SFAS 106, and includes comments about GASB's OPEB standard.

Why Pay-As-You-Go Accounting Will Be Unacceptable

The GASB believes, like the FASB, that other post-retirement benefits, like pensions, are a form of deferred compensation. Accordingly, GASB is saying these benefits should be recognized (in an organization's financial statement) when earned by employees, rather than when paid out. Under SFAS 106, pay-as-you-go accounting is replaced with accrual accounting for these benefits. *This approach is similar to (although more restrictive than) GASB's approach under Statements No. 43 and 45.*

Allocating Costs (Attribution)

The FASB defines attribution as the process of assigning other post-retirement benefit cost to periods of employee service. SFAS 106 specifies how (the attribution method) and over what accounting periods (the attribution period) the postretirement benefits promise must be allocated.

The attribution (actuarial cost) method specified by SFAS 106 is the "projected unit credit actuarial cost method". This method attributes an equal amount of the total postretirement benefit to each year of service during the "attribution period".

The attribution period is the period over which the total postretirement benefit is earned. Unless the plan states that post-retirement benefits are not earned until a later date, the attribution period is from the employee's hire date until the employee is first eligible for the benefit. *The GASB Statements do not restrict entities to a single attribution method, but instead allows sponsors (and actuaries) to choose from several acceptable methods (similar to GASB 27).* GASB allows six funding methods and also allows attribution to the expected retirement age rather than the earliest eligibility age.



GASB OPEB Summary (continued)

Defining the Plan

SFAS 106 refers to the substantive plan as the basis for accounting. The substantive plan may differ from the written plan in that it reflects the employer's cost sharing policy based on past practice or communication of intended changes, or a past practice of cost increases in monetary benefits. Under SFAS 106, the substantive plan is the basis for allowing recognition of potential future changes to the plan. *GASB follows FASB's lead on this issue, requiring entities to recognize the underlying promise, not just the written plan.*

One GASB requirement relates to the implied subsidy when retirees participate in the active healthcare plan, but are charged a rate based on composite active and retiree experience. Under the GASB standard, even if an organization does not otherwise subsidize the benefit, then the organization will have to recognize an OPEB obligation for the implied subsidy.

Actuarial Assumptions

SFAS 106 says actuarial assumptions should be explicit. This means each individual assumption should represent the actuary's best estimate. GASB also, generally, requires explicit assumptions.

GASB requires the discount rate be based on the source of funds used to pay the benefits. This means the underlying expected long-term rate of return on plan assets for funded plans. However, since the source of funds for unfunded plans is usually the organization's general fund, and organizations are usually restricted by State law as to what investments they can have in their general fund, unfunded plans will need to use a relatively low discount rate.

Retiree Drug Subsidy Accounting

GASB Technical Bulletin No. 2006-1 sets forth the proper accounting treatment for the Retiree Drug Subsidy payment available to plan sponsors that maintain an actuarially equivalent (to Medicare Part D) prescription drug plan. The RDS payment is after the fact, premised on data submission and a host of other compliance issues. According to TB 2006-1, the RDS payment is a voluntary non-exchange transaction, as defined in GASB 33. As such, employers and plans should not reduce the liability for OPEB benefits by the expected RDS payments but instead include the RDS payments in the schedule of contributions from employers and other contributing entities.



GASB OPEB Summary (continued)

Transition Issues

Because historical annual required contribution information will rarely be available, *GASB is taking a prospective approach on transition issues.* This means there will be no requirement for any initial transition obligation.

Effective Dates

The GASB 43 standard will have staggered effective dates, similar to GASB Statement No. 34, as follows:

	Annual Revenue	Effective for Fiscal Years Beginning After
Phase I	\geq \$100 million	December 15, 2005
Phase II	\geq \$10 million but $<$ \$100 million	December 15, 2006
Phase III	$<$ \$10 million	December 15, 2007



GASB OPEB Summary (continued)

Differences Between SFAS 106 and GASB 43 and 45

Conceptually, GASB No. 43 and 45 are similar to SFAS 106. They require current recognition of the promise to pay future benefits. However, they differ somewhat in how that recognition should occur. Specifically:

	SFAS 106	GASB 43 and 45
(1) Attribution Method	Mandates use of a particular method, regardless of method used to determine contribution.	Allows sponsor to use same method used to determine contribution, provided it meets certain criteria.
(2) Assumptions (excluding discount rate)	Requires each assumption stand on its own – Explicit assumptions.	Requires each assumption stand on its own and, in addition, meet certain other criteria.
(3) Discount Rate	Long term high quality bond rates (e.g., Moody Aa).	Expected long-term rate of return on source used to pay benefits (e.g. sponsor's general fund).
(4) Benefit Cost	Mandates use of a specific method, regardless of method used to determine contribution.	Provides that if entity always contributes Annual Required Contribution, then benefit cost equals Annual Required Contribution. If entity does not contribute Annual Required Contribution, then benefit cost equals Annual Required Contribution, adjusted for the difference.
(5) Annual Required Contribution	N/A	The Plan's funding contribution, with actuarial assumptions and methods (including amortization periods) restricted as indicated above.
(6) Liability Recognition	The historical difference between actual contributions and benefit costs become an accrued liability (or prepaid asset) on the sponsor's financial statement.	If sponsor consistently contributes the Annual Required Contribution, then no recognition is required. However, if sponsor has not historically contributed the Annual Required Contribution, then difference becomes a Net Obligation on the sponsor's financial statement.



Glossary

Actuarial accrued liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.

Actuarial assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial cost method

A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial experience gain or loss

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial present value of total projected benefits

Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Actuarial valuation

The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

Actuarial valuation date

The date as of which an actuarial valuation is performed.



Actuarial value of assets

The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.

Amortization (of unfunded actuarial accrued liability)

The portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB cost

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer (ARC)

The employer's periodic required contributions to a defined benefit OPEB plan.

Covered Group

Plan members included in an actuarial valuation.

Defined benefit OPEB plan

An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Employer's contributions

Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) of plan administrator. Employer's contributions *do not equate* to benefits paid.

Funded ratio

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.



Funding excess

The excess of the actuarial value of assets over the actuarial accrued liability.

Funding policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Inactives

Certain former employees with a minimum amount of years of credible service who have left contributions in the state retirement system.

Implicit Rate Subsidy

The actuarially derived amount that current employees subsidize retiree benefits.

Investment return assumption (discount rate)

The rate used to adjust a series of future payments to reflect the time value of money.

Level percentage of projected payroll amortization method

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Market-related value of plan assets

A term used with reference to the actuarial value of assets. A market related value may be fair value, market value (or estimated market value), or a calculated value that recognizes changes in fair or market value over a period of, for example, three to five years.



Net OPEB obligation

The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Normal cost

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. In GASB 45, the term refers to employer normal cost.

OPEB assets

The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expense.

OPEB expenditures

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

OPEB expense

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

OPEB liabilities

The amount recognized by an employer for contributions to an OPEB plan less than OPEB expense/expenditures.

Other postemployment benefits

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.



Pay-as-you-go

A method of financing a pension plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Plan assets

Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Plan members

The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

Postemployment

The period between termination of employment and retirement as well as the period after retirement.

Postemployment healthcare benefits

Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.

Postretirement benefit increase

An increase in the benefits of retirees or beneficiaries granted to compensate for the effects of inflation (cost-of-living adjustment) or for other reasons. Ad hoc increases may be granted periodically by a decision of the board of trustees, legislature, or other authoritative body; both the decision to grant an increase and the amount of the increase are discretionary. Automatic increases are periodic increases specified in the terms of the plan; they are nondiscretionary except to the extent that the plan terms can be changed.



Projected unit credit actuarial cost method

A method under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability.

Under this method, the Actuarial Gains (losses), as they occur, generally reduce (increase) the Unfunded Actuarial Accrued Liability.

Under this method, benefits are projected to all future points in time under the terms of the Plan and actuarial assumptions (for example, health trends). Retirees are considered to be fully attributed in their benefits. For actives, attribution is to expected retirement age; thus, benefits at each future point in time are allocated to past service based on a prorate of service-to-date over projected service.

Required supplementary information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Single-employer plan

A plan that covers the current and former employees, including beneficiaries, of only one employer.

Sponsor

The entity that established the plan. The sponsor generally is the employer or one of the employers that participate in the plan to provide benefits for their employees. Sometimes, however, the sponsor establishes the plan for the employees of other entities but does not include its own employees and, therefore, is not a participating employer of that plan. An example is a state government that establishes a plan for the employees of local governments within the state, but the employees of the state government are covered by a different plan.

Substantive plan

The terms of an OPEB plan as understood by the employer(s) and plan members.



Tier Classifications

Tier	Criteria
Tier 1	Enrollment prior to July 1, 2007
Tier 2	Enrollment on or after July 1, 2007 and prior to November 2, 2008
Tier 3	Enrollment on or after November 2, 2008 and prior to May 22, 2010
Tier 4	Enrollment on or after May 22, 2010

Transition year

The fiscal year in which this Statement is first implemented.

Unfunded actuarial accrued liability (unfunded actuarial liability)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.